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Building Confidence in Ecuador's Banking System Through the Power of Open Data

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JULY 24, 2020

In many parts of the world, the banking sector is second nature. Paychecks are deposited automatically, you can track your spending on your phone, and investments are made in the blink of an eye. But in other parts of the world, banks face an uphill battle to serve their customers.

Asobanca is a nonprofit institution representing 15 of the 24 biggest private banks in Ecuador. Our mission is to empower people by making the financial data of Ecuador's banking system available to all. But in Ecuador, that's easier said than done. Our biggest challenge is people's lack of confidence in the banking system itself following the financial crisis of 1999.

That situation was a combination of bad politics, bad banking, and bad luck. By the end of 1999, Ecuador faced an economic, financial, and social crisis that cost Ecuador 22% of its GDP, with many banks declaring bankruptcy, and 64% of the population living below the poverty line. Even though this happened more than 20 years ago, it's still a bad memory of people who experienced it firsthand. As a result, they still have difficulty trusting the financial sector.

This challenge fuels Asobanca's work and informs its three main objectives. The first objective is to help people trust the financial system again. The second is to make information public and transparent, and the third is to mitigate market risks in Ecuador.

Rebuilding Trust with Data

These goals sound great, but one big obstacle is the way information on the financial system is collected and distributed in the country. Many different institutions disperse the data, each using their

own methodologies of data collecting and processing. This means the data is often incompatible; it's almost impossible to easily create valuable information from it, and data analysts spend a lot of time assembling databases to make sense of it.

Some companies offer data access services, but those services are expensive and many entities such as small businesses, individual households, and academics, cannot afford them. On top of that, most of the platforms that provide this information are not user friendly. The information is complicated and can be so hard to interpret that even researchers get discouraged. Data processing is not for everyone.

Asobanca started exploring ways to improve this lack of transparency and the availability of free data. We wanted to create a financial intelligence information system that could facilitate data analysis, help the formulation of financial strategies, and promote bank competitiveness. We received funds from a multilateral bank for this project, and we found a creative, innovative, and open data solution. This is how, [DataLab](#) was born.

The Right Tool for Fast and Easy Understanding

DataLab is more than just a data platform. It is a concept. The first step was to identify all the available data from the financial system within Ecuador as well as the region. We drew this data from 24 banks, 74 financial institutions, and Latin American financial information.

Then it was time to begin the data mining, and we quickly realized we would need a tool to help us process all this information and calculate monthly financial indicators. Working with our partner, [Prediq](#), we came across many solutions. We researched how those solutions worked, and found that [Qlik Sense](#) was the perfect match to analyze data quickly and present it in an attractive way.

Qlik processes the data we collect to help us calculate more than 20 financial indicators such as liquidity, return on assets, return on equity, and delinquency rates. It's now much easier to find interest rates as well as bank balance sheets. Additionally, we provide more than 3,000 financial variables so that advanced users can calculate their own indicators. With this information, users can assess the financial health of an individual institution and the larger system.

Performing the calculation of a single indicator used to take many hours of work. Qlik does it in seconds, and it has a user-friendly layout that allows users to rank, compare, and analyze the financial system for their own purposes. It also allows us to present historical and geolocated data in one dashboard. Users can also download all the data in Excel format, making information management easier.

The Democratization of Data

Our partner, [Prediq](#), trained our economic team and collaborated with us to create more than 40 dashboards within six different categories of financial information. The first category we implemented was data from the banking system. From there, we expanded based on user feedback. From Asobanca, we have intensively trained more than 10,000 users on how to process this data and create their own layouts.

Democratization is key. Enabling others to create their own solutions multiplies the impact of accessible #data.

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Democratization is key. Enabling others to create their own solutions multiplies DataLab's impact. We have five groups of recurring users. Apart from banks, we have private companies, media, public sector institutions, and academia accessing our tool. Since we created DataLab in 2017, we have trained more than 1,000 organizations in these sectors.

DataLab has become the essential tool for the media, banks, and academia to visualize financial information. We often see the platform quoted in reports on Ecuador's economy from institutions such as Credit Suisse. Even official institutions use it in their analyses. The fact that all this information is now in one place has also made research much easier for academics and students.

There are currently 20 research projects underway using DataLab. We continue to build on these educational connections with banking and financial programs in schools, because we know these students and researchers are the future of Ecuador, and their involvement with our banking system can be a great catalyst for positive change moving forward.

Cost is an important factor in democratization. Rather than compounding the problem by charging high fees like some data systems, DataLab is free to use. This, combined with its ease of use, improves access and encourages widespread adoption. Users save valuable time by not having to process the data themselves, and they find the data isn't as intimidating. There is a global revolution in terms of public access to information. Now, with DataLab, Ecuador is part of the data revolution.

DataLab's First Big Financial Test

When the lockdown started here in March, many people became skittish, worried that we were at the start of another crisis. Stock deposits decreased because people wanted to keep their money in their pockets instead of in the bank. But the availability of timely, transparent data meant that we could reassure the public that their money was still very safe in the bank. We could point people to many positive financial indicators such as liquidity, which proved that Ecuador's financial system is strong.

The timeliness of the data is important. We publish a financial update in the first week of every month for the previous month. It might sound obvious, but not every sector in Ecuador does this. Regardless of whether the indicators look good or bad, we provide them accurately and quickly, and that builds trust. It also means that we can provide clients with explanations to help mitigate these market risks. The best proof of the trust we've built with DataLab is that in May we saw deposit stocks rise back to normal levels.

The Transformation of an Industry

DataLab is the first free open data initiative from the private sector in Latin America, and it proves that well-structured projects from the private sector have the capacity to transform an industry. Ecuador, a country with limited data access, is using an innovative digital solution to transform the handling of information. We want to become a benchmark in the region and inspire others to do the same.

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We are very proud of DataLab and the number of users we have, but there's a lot left to do. Every day, we're improving on the project by developing new dashboards, finding visualizations that make data even easier for people to understand and interpret, and adding additional variables to provide a more complete picture of the country's overall financial status. We are also constantly upgrading our

training with teams from Prediq and Qlik. We're working together to make DataLab as mobile-friendly as possible, especially as more people than ever access our dashboards remotely.

It's a lot of hard work, but it's worth it when we at Asobanca see the financial research being produced, the way financial information is reported in the news, or how Ecuadorians have responded to the pandemic. Our financial system is more transparent, more democratized, and more accessible to everyone than it ever was before. That's a powerful step for Ecuadorians, and for our financial future.